

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



3RD DISTRICT AGRICULTURAL ASSOCIATION
SILVER DOLLAR FAIR
CHICO, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

AUDIT REPORT #09-003

FOR THE YEARS ENDED
DECEMBER 31, 2008 AND 2007

3RD DISTRICT AGRICULTURAL ASSOCIATION
SILVER DOLLAR FAIR
CHICO, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2008 AND 2007

AUDIT STAFF

Ron Shackelford, CPA
Shakil Anwar, CPA
Jason Jones

Audit Chief
Assistant Audit Chief
Auditor

AUDIT REPORT NUMBER

#09-003

3RD DISTRICT AGRICULTURAL ASSOCIATION
SILVER DOLLAR FAIR
CHICO, CALIFORNIA

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CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Ms. Cindy Heffren, President
Board of Directors
3rd DAA, Silver Dollar Fair
2357 Fair Street
Chico, California 95928

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial condition of the 3rd District Agricultural Association (DAA), Silver Dollar Fair, Chico, California, as of December 31, 2008 and 2007, and the related statements of operations and changes in accountability, and cash flows-regulatory basis for the years then ended. These financial statements are the responsibility of the 3rd DAA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

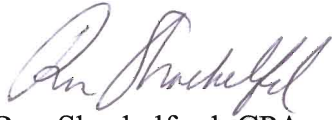
We have conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 3rd DAA, Silver Dollar Fair, as of December 31, 2008 and 2007, and the results of its operations and changes in accountability, and cash flows-regulatory basis for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The 3rd DAA, Silver Dollar Fair has not presented the Management's Discussion and Analysis, which the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.



Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Management Report #09-003, on the 3rd DAA's compliance with State laws and regulations and system of internal accounting control, is issued solely for the purpose of additional analysis and should be addressed by the 3rd DAA as appropriate. This additional report, however, is not a required part of the basic financial statements.

A handwritten signature in dark ink, appearing to read "Ron Shackelford", written in a cursive style.

Ron Shackelford, CPA
Chief, Audit Office

December 18, 2009

**3RD DISTRICT AGRICULTURAL ASSOCIATION
SILVER DOLLAR FAIR
CHICO, CALIFORNIA**

STATEMENTS OF FINANCIAL CONDITION
December 31, 2008 and 2007

	Account Number	2008	2007
ASSETS			
Cash and Cash Equivalents	111-116	\$ 427,298	\$ 343,770
Accounts Receivable, Net	131	6,054	11,464
Land	191	15,523	15,523
Buildings and Improvements, Net	192	3,341,895	3,382,030
TOTAL ASSETS		<u>3,790,770</u>	<u>3,752,787</u>
LIABILITIES AND NET RESOURCES			
Liabilities			
Accounts Payable & Other Liabilities	212	4,019	33,320
Current Portion of LT Debt	212.5	49,780	32,277
Deferred Income	228	16,563	8,430
Guaranteed Deposits	241	3,600	6,500
Compensated Absences Liability	245	95,805	93,571
Long Term Debt	255	440,515	490,295
Total Liabilities		<u>610,282</u>	<u>664,393</u>
Net Resources			
Reserve for Junior Livestock Auction	251	500	500
Net Resources - Operations	291	263,085	180,636
Net Resources - Capital Assets, less Related Debt	291.1	2,916,903	2,907,258
Total Net Resources Available		<u>3,180,488</u>	<u>3,088,394</u>
TOTAL LIABILITIES AND NET RESOURCES		<u>\$ 3,790,770</u>	<u>\$ 3,752,787</u>

**3RD DISTRICT AGRICULTURAL ASSOCIATION
SILVER DOLLAR FAIR
CHICO, CALIFORNIA**

STATEMENTS OF OPERATIONS/CHANGES IN ACCOUNTABILITY
December 31, 2008 and 2007

	<u>Account Number</u>	<u>2008</u>	<u>2007</u>
REVENUE			
State Apportionments	312	\$ 124,000	\$ 124,000
Capital Project Funds	319	-	145,101
Other Non-Operating	340	66,040	13,165
Admissions	410	257,945	254,063
Commercial Space	415	58,400	63,760
Carnival	421	141,280	138,790
Concessions	422	60,994	74,437
Exhibits	430	8,605	8,087
Horse Show	440	1,148	1,061
Attractions - Fairtime	460	1,586	2,272
Miscellaneous Fair	470	59,796	64,555
Miscellaneous Non-Fair	47005	29,245	-
Non-Fair Revenue	480	849,624	485,898
Prior Year Revenue	490	-	400
Total Revenue		<u>1,658,663</u>	<u>1,375,589</u>
EXPENSES			
Administration	500	406,144	368,056
Maintenance and Operations	520	482,702	470,762
Publicity	540	41,753	41,748
Attendance	560	74,936	60,762
Miscellaneous Fair	570	78,814	-
Premiums	580	45,736	45,959
Exhibits	630	90,184	75,660
Horse Show	640	1,250	500
Attractions - Fairtime	660	153,083	140,617
Prior Year Adjustments	800	(3,555)	63
Cash Over/Short from Ticket Sales	850	(206)	(21)
Depreciation Expense	900	195,728	197,963
Total Expenses		<u>1,566,569</u>	<u>1,402,069</u>
RESOURCES			
Net Change - Income / (Loss)		92,094	(26,480)
Resources Available, January 1		3,088,394	3,114,874
Resources Available, December 31		<u>\$ 3,180,488</u>	<u>\$ 3,088,394</u>

**3RD DISTRICT AGRICULTURAL ASSOCIATION
SILVER DOLLAR FAIR
CHICO, CALIFORNIA**

STATEMENTS OF CASH FLOWS - REGULATORY BASIS
December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of Revenue Over Expenses (Expenses Over Revenue)	\$ 92,094	\$ (26,480)
Adjustment to Reconcile Excess of Revenue Over Expenses to Net Cash Provided by Operating Activities:		
(Increase) Decrease in Accounts Receivable	5,410	27,358
Increase (Decrease) in Accounts Payables and Other Liabilities	(29,300)	(13,539)
Increase (Decrease) in Current Portion of Long-term Debt	17,503	11,705
Increase (Decrease) in Deferred Income	8,133	(35,786)
Increase (Decrease) in Compensated Absence Liability	2,234	3,087
Increase (Decrease) in Guarantee Deposits	(2,900)	-
Total Adjustments	<u>1,079</u>	<u>(7,175)</u>
Net Cash Provided (Used) by Operating Activities	<u>93,173</u>	<u>(33,655)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) Decrease in Construction in Progress	-	34,487
(Increase) Decrease in Buildings & Improvements, Net	40,135	(545,109)
(Increase) Decrease in Equipment, Net	<u>-</u>	<u>5,332</u>
Net Cash Provided (Used) by Investing Activities	<u>40,135</u>	<u>(505,290)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (Decrease) in Long-Term Debt	<u>(49,780)</u>	<u>337,724</u>
Net Cash Provided (Used) by Financing Activities	<u>(49,780)</u>	<u>337,724</u>
NET INCREASE (DECREASE) IN CASH	83,528	(201,221)
Cash at Beginning of Year	343,770	544,991
CASH AT END OF YEAR	<u><u>\$ 427,298</u></u>	<u><u>\$ 343,770</u></u>

**3rd DISTRICT AGRICULTURAL ASSOCIATION
SILVER DOLLAR FAIR
CHICO, CALIFORNIA**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008 and 2007

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The 3rd District Agricultural Association (DAA) was formed for the purpose of sponsoring, managing, and conducting the Silver Dollar Fair each year in Chico, California. The State of California, Department of Food and Agriculture, through the Division of Fairs and Expositions provides oversight responsibilities to the DAA. The DAA is subject to the policies, procedures, and regulations set forth in the California Government Code, California Business and Professions Code, Public Contracts Code, Food and Agricultural Code, State Administrative Manual, and the Accounting Procedures Manual established by the Division of Fairs and Expositions.

The State of California allocates funds annually to the DAAs to support operations and acquire fixed assets. However, the level of State funding varies from year to year based on budgetary constraints. The Division of Fairs and Expositions determines the amount of the allocations.

Basis of Accounting - The accounting policies applied to and procedures used by the DAA conform to accounting principles applicable to District Agricultural Associations as prescribed by the State Administrative Manual and the Accounting Procedures Manual. The DAA's activities are accounted for as an enterprise fund. The Governmental Accounting Standards Board (GASB) defines an enterprise fund as a fund related to an organization financed and operated in a manner similar to a private business enterprise where the intent is to recover the costs of providing goods or services to the general public primarily through user charges. Pursuant to GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Account, the DAA has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

The DAA's financial activities are accounted for using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board. Thus, revenues are reported in the year earned

rather than collected, and expenses are reported in the year incurred rather than paid.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes – The DAA is a state agency and therefore, is exempt from paying taxes on its income.

Cash and Cash Equivalents - The DAA's cash and cash equivalents are separately held in various local banks. The Financial Accounting Standards Board defines cash equivalents as short-term, highly liquid investments that are both: (1) readily convertible to known amounts of cash; and (2) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The cost of all cash equivalents of the DAA approximates market value.

The California State Treasury makes available the Local Agency Investment Fund (LAIF) through which local governments may pool investments. Each governmental entity may invest up to \$40,000,000 in the fund. Investments in the LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest.

In accordance with the Accounting Procedures Manual, the DAA is authorized to deposit funds in certificates of deposit and interest bearing accounts. However, Government Code Sections 16521 and 16611 require the bank or savings and loan association to deposit, with the State Treasurer, securities valued at 110 percent of the uninsured portion of the funds deposited with the financial institution. Government Code Sections 16520 and 16610 provide that security need not be required for that portion of any deposit insured under any law of the United States, such as FDIC and FSLIC.

Inventories – Inventories, if any, consists primarily of souvenir items sold during fair time, and is stated at cost.

Property and Equipment - Construction-in-progress, land, buildings and improvements, and equipment are acquired with operating funds and funds allocated by the State. Any acquired assets, if greater than \$5,000 and a useful life of one or more years, are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the asset. Buildings and improvements are depreciated over 30 years, and purchases of equipment are depreciated over five years. Costs of repair and maintenance are expensed as incurred by the DAA. Furthermore, donated building improvements, and equipment are recorded at their fair market value at the date of the gift. This recorded basis is depreciated over the

useful lives identified above. The costs of projects that have not been placed in service are recorded in Account #190, Construction-in-Progress, and no depreciation is recorded on Construction-in-Progress until the project is completed and the asset is placed in service..

Compensated Absences - Pursuant to Statement No. 16 of the Governmental Accounting Standards Board, State and local governmental entities are required to report the liability for compensated absences. Compensated absences are absences for which permanent employees will be paid, such as vacation, personal leave, and compensatory time off. The compensated absences liability is calculated based on the pay rates in effect at the balance sheet date.

NOTE 2

NEW ACCOUNTING STANDARDS

In July 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, ("GASB Statement No. 45"). This statement establishes standards for the measurement, recognition, and display of postretirement benefits other than pensions expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The statement becomes effective for the District for periods beginning after December 15, 2007. Management has not determined the effect of GASB Statement No. 45 on the combined financial statements.

In September 2006, the GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Receivables and Future Revenues*, ("GASB Statement No. 48"). GASB Statement No. 48 establishes criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability. The criteria should be used to determine the extent to which a transferor government either retains or relinquishes control over the receivables or future revenues through its continuing involvement with those receivables or future revenues. This Statement establishes that a transaction will be reported as a collateralized borrowing unless the criteria indicating that a sale has taken place are met. If it is determined that a transaction involving receivables should be reported as a sale, the difference between the carrying value of the receivables and the proceeds should be recognized in the period of the sale in the change statements. If it is determined that a transaction involving future revenues should not be reported as a sale, the revenue should be deferred and amortized, except when specific criteria are met. This Statement also provides additional guidance for sales of receivables and future revenues within the same financial reporting entity. This statement is effective for periods beginning after December 15, 2006. Adoption of this statement did not have a material impact on the combined financial statements.

In November 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, (“GASB Statement No. 49”). GASB Statement No. 49 requires governmental entities to report pollution remediation costs in their financial statements. It identifies five obligating events under which the government should estimate the expected obligations for pollution remediation. Under the standard, liabilities and expenses will be estimated using an “expected cash flows” measurement technique, which will be employed for the first time by governments. Further, the standard requires that governments disclose information about their pollution remediation obligations associated with clean-up efforts in the notes to the financial statements. GASB Statement No. 49 will be effective for financial statements with periods beginning December 15, 2007, but liabilities should be measured at the beginning of that period so that beginning net assets can be restated. Management has not determined the effect of GASB Statement No. 49 on the combined financial statements.

In May 2007, the GASB issued Statement No. 50, *Pension Disclosures*, (GASB Statement No. 50”). GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (“OPEB”) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (“RSI”) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, (“GASB Statement No. 25”), and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, (“GASB Statement No. 27”) to conform with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, (“GASB Statement No. 43”) and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, (“GASB Statement No. 45”). GASB Statement No. 50 will be effective for financial statements with periods beginning after June 15, 2007. Management has not determined the effect of GASB Statement No. 50 on the combined financial statements.

In July 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, (“GASB Statement No. 51”). GASB Statement No. 51 requires that intangible assets be classified as capital assets (except for those explicitly excluded from the scope of the new standard, such as capital leases). GASB Statement No. 51 will be effective for financial statements with periods beginning after June 15, 2009. Management has not determined the effect of GASB Statement No. 51 on the combined financial statements.

NOTE 3 **CASH AND CASH EQUIVALENTS**

The following list of cash and cash equivalents were held by the DAA as of December 31:

	<u>2008</u>	<u>2007</u>
Petty Cash	\$ 50	\$ 50
Cash in Bank - Operating	14,919	14,768
Cash in Bank - Premium	-	2,964
Cash in Bank - Payroll	2,329	8,953
Cash in Bank - LAIF	<u>410,000</u>	<u>325,000</u>
Total Cash and Cash Equivalents	<u>\$ 427,298</u>	<u>\$ 343,770</u>

NOTE 4 **ACCOUNTS RECEIVABLE**

The DAA is required to record an allowance for doubtful accounts based on estimates of collectability.

	<u>2008</u>	<u>2007</u>
Accounts Receivable	\$ 6,054	\$ 11,464
Allowance for Doubtful Accounts	<u>0</u>	<u>0</u>
Accounts Receivable - Net	<u>\$ 6,054</u>	<u>\$ 11,464</u>

NOTE 5 **PROPERTY AND EQUIPMENT**

Buildings and improvements, and equipment at December 31, 2008 and 2007 consist of the following:

	<u>2008</u>	<u>2007</u>
Building & Improvements	\$ 7,014,684	\$ 6,859,091
Less: Accumulated Depreciation	<u>(3,672,789)</u>	<u>(3,477,061)</u>
Building & Improvements - Net	<u>\$ 3,341,895</u>	<u>\$ 3,382,030</u>
Equipment	\$ 339,675	\$ 339,675
Less: Accumulated Depreciation	<u>(339,675)</u>	<u>(339,675)</u>
Equipment - Net	<u>\$ 0</u>	<u>\$ 0</u>

NOTE 6 **LONG-TERM DEBT**

The DAA has entered into two long-term loan agreements with California Construction Authority (CCA) to finance the Photovoltaic power-generating project and the Paving and Parking Lot project on the fairgrounds. The terms of the agreements are as follows:

CCA Photovoltaic Loan:

Loan Amount	\$ 252,000
First Payment Date	March, 2003
Payment Amount	\$ 1,714
Duration of Loan	147 Months
Interest Rate	Zero, Principle Only
Total Outstanding at 12/31/08	\$ 132,000
Current Portion at 12/31/08	\$ 20,572
Long-Term Portion at 12/31/08	\$ 111,428

CCA Paving Loan:

Loan Amount	\$ 370,000
First Payment Date	August, 2008
Payment Amount	\$ 4,015
Duration of Loan	120 Months
Interest Rate	5.50%
Total Outstanding at 12/31/08	\$ 358,295
Current Portion at 12/31/08	\$ 29,208
Long-Term Portion at 12/31/08	\$ 329,087

NOTE 7

RETIREMENT PLAN

Permanent employees of the DAA are members of the Public Employees' Retirement System (PERS), which is a defined benefit contributory retirement plan. The retirement contributions made by the DAA and its employees are actuarially determined. Contributions plus earnings of the Retirement System will provide the necessary funds to pay retirement costs when accrued. The DAA's share of retirement contributions is included in the cost of administration. For further information, please refer to the annual single audit of the State of California.

Retirement benefits fully vest after five years of credited service for Tier I employees. Retirement benefits fully vest after ten years of credited service for Tier II employees. Upon separation from State employment, members' accumulated contributions are refundable with interest credited through the date of separation. The DAA, however, does not accrue the liability associated with vested benefits.

The Alternate Retirement Program (ARP) is a retirement savings program that certain employees hired on or after August 11, 2004 are automatically enrolled in for their first two years of employment with the State of California. ARP is administered by the Savings Plus Program with the Department of Personnel Administration and invests funds in a fixed-income fund. ARP provides two years of retirement savings (five percent of paycheck amount each month) in lieu of two years of service credit. At the end of the two-year period, the deductions are placed in CalPERS and the retirement service credit begins.

Temporary, 119-day, employees of the DAA participate in the Part-Time, Seasonal, Temporary (PST) Retirement Plan. The PST Retirement Plan is a mandatory deferred compensation plan under which 7.5% of the employee's gross salary is deducted before taxes are calculated. These pre-tax dollars are placed in a guaranteed savings program. The employee has the option of leaving these funds on deposit upon separation, or requesting a refund.

NOTE 8

RECLASSIFICATION

Certain prior-year balances have been reclassified to conform to current year presentation. This reclassification did not have an effect on net income.

**3rd DISTRICT AGRICULTURAL ASSOCIATION
SILVER DOLLAR FAIR
CHICO, CALIFORNIA**

REPORT DISTRIBUTION

<u>Number</u>	<u>Recipient</u>
1	President, 3rd DAA Board of Directors
1	Chief Executive Officer, 3rd DAA
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



3RD DISTRICT AGRICULTURAL ASSOCIATION
SILVER DOLLAR FAIR
CHICO, CALIFORNIA

MANAGEMENT REPORT #09-003

YEAR ENDED DECEMBER 31, 2008

3RD DISTRICT AGRICULTURAL ASSOCIATION
SILVER DOLLAR FAIR
CHICO, CALIFORNIA

MANAGEMENT REPORT
YEAR ENDED DECEMBER 31, 2008

AUDIT STAFF

Ron Shackelford, CPA
Shakil Anwar, CPA
Jason Jones

Audit Chief
Assistant Audit Chief
Auditor

MANAGEMENT REPORT NUMBER
#09-003

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CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Ms. Cindy Heffren, President
Board of Directors
3rd DAA, Silver Dollar Fair
2357 Fair Street
Chico, California 95928

In planning and performing our audit of the financial statements of the 3rd District Agricultural Association (DAA), Silver Dollar Fair, Chico, California, for the year ended December 31, 2008, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

In addition, this Management Report includes: (1) matters other than those related to the internal control structure which came to our attention that could, in our judgment, either individually or in the aggregate, have a significant effect on the entity's financial reporting process (e.g., accounting errors, significant audit adjustments, etc.), and (2) areas of non-compliance by the Silver Dollar Fair with respect to State laws and regulations, with the Accounting Procedures Manual, and with established policies and procedures.

In accordance with Government Code Section 13402, Fair managers and Board of Directors are responsible for the establishment and maintenance of a system or systems of internal accounting and administrative control within their agencies. This responsibility includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions.

Due to the small size of the 3rd DAA's office staff, it is not practical to have the degree of segregation of duties possible in a larger organization. Therefore, the Board of Directors must consider this when determining the extent that the Board becomes involved in operations to adequately safeguard the 3rd DAA's assets. The system of internal control should provide the Board of Directors and management reasonable, but not absolute, assurance that: (1) only authorized transactions are executed; (2) transactions are properly



recorded in the accounting records; and (3) material errors and irregularities that may occur, will be detected by the 3rd DAA in a timely manner during the normal course of operations. In this regard, it is particularly important that the Board review and approve significant transactions and critically review monthly financial information. The 3rd DAA's minimum staffing was one factor considered in determining the nature, timing, and extent of the tests to be performed on the 3rd DAA's accounting procedures, records, and substantiating documents.

During our audit of the internal control structure of the 3rd DAA and compliance with state laws and regulations, we identified two areas with reportable conditions that are considered weaknesses in the Fair's operations: Speedway revenue controls, and sponsorship policies and procedures. We have provided two recommendations to improve the operations of the Fair. The Fair must respond in writing on how these recommendations will be implemented.

We also identified additional areas containing non-reportable conditions. These conditions and accompanying recommendations are not considered significant weaknesses. We have included these items solely for the benefit of the 3rd DAA's management. We suggest the Fair implement the recommendations as soon as practicable. The Fair, however, is not required to provide written responses to the recommendations for non-reportable conditions.

REPORTABLE CONDITIONS

SPEEDWAY CONTROLS

The Fair exposed itself to loss by not obtaining supporting documentation to confirm its share of speedway revenue. According to the speedway contract, the Fair is to receive \$50 per keg sold; 20% of gross receipts for various concessions (i.e., food, beverage, novelty, and wine); 12.5% of gross grandstand gate receipts; and \$25 per night for overnight trailer space rental. During the Gold Cup Race, the rate is \$12.50 per night. The Fair received approximately \$175,258 from various speedway revenues in 2008. Our office could not confirm revenue collected, due to the lack of supporting documentation, for RV space rentals and beer sales. Additionally the Fair did not reconcile the daily Z-tapes to reports submitted by the speedway operator and did not confirm attendance by conducting either an ending or beginning ticket inventory. In order to establish accountability of the various speedway revenues sources, the Fair should obtain supporting documentation from the contractor such as invoices which indicate the number of kegs sold, RV space rental reports, Z-tapes that match the reports from the contractor, and a beginning and ending ticket inventory. This review process will help provide assurance that sales by the contractor are accurately reported to the Fair.

Recommendation

1. *The Fair should require and obtain supporting documentation from the speedway contractor to validate the revenue due from the speedway contractor and verify figures reported by the speedway operator.*

SPONSORSHIP POLICIES AND PROCEDURES

The Fair does not have any established sponsorship procedures. The Division of Fairs and Expositions (F&E) Contract Manual, Chapter 6 § 6.40, requires the DAA to follow all of the following steps to secure sponsorship agreements: a) establish the procedure, b) Board approves the procedure and maintains a copy in their contract office, and c) the DAA follows the approved procedures. It should be noted that although the DAA's sponsorship agreements generally are not subject to F&E approval, California Food and Agriculture code 4051.1(b) does require F&E pre-notification for sponsorship agreements that exceed \$100,000 in value, have a term of over two (2) years, or contemplate building a permanent structure on the property.

Recommendation

2. *The Fair's Board of Directors should comply with F&E Contract Manual, Chapter 6 § 6.40 and establish and approve procedures for sponsorship arrangements.*

NON-REPORTABLE CONDITIONS

COURTESY & CREDENTIAL PASSES

The Fair did not clearly differentiate courtesy passes from credential passes based on our review of the Fair's log and ticket stock. According to the Food and Agriculture (F&A) Code §3025, "the words 'credential admission' shall be printed on each ticket issued as a credential admission". The Fair reported on the 2008 Statement of Operations (STOP) Schedule 4, Fair Statistics, courtesy passes issued totaled 477 and credential passes issued totaled 7,148; however, we could not confirm this because the Fair does not distinguish the type of pass on the actual ticket issued. F&A Code §3028 further states "each fair shall maintain complete records of the number of credential and courtesy pass admissions which are issued." Moreover, we could not determine the purpose of the issued passes because the log does not justify and support the business purpose and necessity of the issuance of the passes.

Recommendation

The Fair should distinguish credential from courtesy passes and strengthen internal controls over these passes by justifying and supporting the business purpose for issuing the passes.

ACCOUNTING FOR BEER CONCESSIONS REVENUE

The Fair did not obtain supporting documentation to validate the accuracy of the beer concession revenue. Based on our audit, we could not verify approximately \$11,880 of beer concession revenue equal to 108 kegs at the rate of \$110 per keg. By failing to obtain supporting documentation, the Fair is exposed to potential loss. In order to establish accountability over beer revenues, the Fair should always obtain supporting documentation, such as an invoice, to verify the number of kegs sold. This review process will help provide assurance that the amount of sales is accurately reported to the Fair.

Recommendation

The Fair should require the beer concessionaire to submit all supporting documentation for beer sales in order to verify the amount of revenue received.

DISTRICT AGRICULTURAL ASSOCIATION'S RESPONSE

3rd DISTRICT AGRICULTURAL ASSOCIATION
SILVER DOLLAR FAIR
RESPONSE TO Audit Report #09-003

SPEEDWAY CONTROLS

The Fair exposed itself to loss by not obtaining supporting documentation to confirm its share of speedway revenue. According to the speedway contract, the Fair is to receive \$50 per keg sold; 20% of gross receipts for various concessions (i.e., food, beverage, novelty and wine); 12.5% of gross grandstand receipts; and \$25 per night for overnight trailer space rental. During the Gold Cup Race, the rate is \$12.50 per night. The Fair received approximately \$175,258 from various speedway revenues at year-end 2008. Our office could not confirm revenue collected, due to the lack of supporting documentation for RV space rentals and beer sales. Additionally the Fair did not reconcile the daily z-tapes to reports submitted by the speedway operator and did not confirm attendance by conducting either an ending or beginning ticket inventory. In order to establish accountability of the various speedway revenue sources, the Fair should obtain supporting documentation from the contractor such as invoices which indicate the number of kegs sold, RV space rental reports, z-tapes that match the reports from the contractor, and a beginning and ending ticket inventory. This review process will help provide assurance that sales by the contractor are accurately reported by the Fair.

Recommendation

- 1. The Fair should require and obtain supporting documentation from the speedway contractor to validate the revenue due from the speedway contractor and verify figures reported by the speedway operator.***

Action Taken

Between the 2008 and 2009 race seasons, the Fair contracted with a different speedway promoter. The Fair developed a new scope of work and detail of responsibility for the speedway contractor. The new speedway contractor provided appropriate documentation for revenue due the Fair in 2009. Figures reported were verified.

SPONSORSHIP POLICIES AND PROCEDURES

The Fair does not have any established sponsorship procedures. The Division of Fairs and Expositions (F&E) Contract Manual, Chapter 6 6.40, requires the DAA to follow all of the following steps to secure sponsorship agreements: a) establish the procedure, b) Board approves the procedure and maintains a copy in their contract office, and c) the DAA follows the approved procedures. It should be noted that although the DAA's sponsorship agreements generally are not subject to F&E approval, California Food and Agriculture code 4051.1 (b) does require F&E pre-notification for sponsorship agreements that exceed \$100,000 in value, have a term of over two (2) years, or contemplate building a permanent structure on the property.

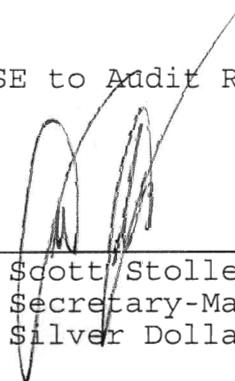
Recommendations

2. *The Fair's Board of Directors should comply with F&E Contract Manual, Chapter 6 6.40 and establish and approve procedures for sponsorship arrangements.*


Action Taken

Sponsorship policy and procedure for the 3rd DAA was developed in January 2010, reviewed by the Board and was adopted by the Board.

RESPONSE to Audit Report #09-003



Scott Stoller
Secretary-Manager
Silver Dollar Fair



Cindy Heffren
President
Board of Directors

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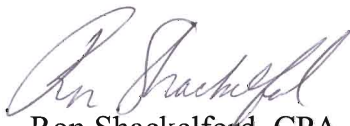
CDFA EVALUATION OF RESPONSE

A draft copy of this report was forwarded to the management of the 3rd DAA, Silver Dollar Fair, for its review and response. We have reviewed the response and it addresses the findings contained in this report.

DISPOSITION OF AUDIT RESULTS

The findings in this management report are based on fieldwork that my staff performed between December 7, 2009 and December 18, 2009. My staff met with management on December 18, 2009 to discuss the findings and recommendations, as well as other issues.

This report is intended for the information of the Board of Directors, management, and the Division of Fairs and Expositions. However, this report is a matter of public record and its distribution is not limited.



Ron Shackelford, CPA
Chief, Audit Office

December 18, 2009

REPORT DISTRIBUTION

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